

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT General Services Agency - Airports	(2) MEETING DATE 12/11/2012	(3) CONTACT/PHONE Richard Howell 781-5205	
(4) SUBJECT Request to approve concession agreement with the Achievement House, Inc. a California 501c3 Non-Profit Corporation, to operate a combined snack bar and gift shop concession in the terminal building at the San Luis Obispo County Regional Airport. District 3			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Approve the concession agreement; 2. Authorize the General Services Agency Director to sign the document; and 3. Authorize the General Services Agency Director to sign a possible subsequent two (2) year extension in accordance with the terms in the agreement. 			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? N/A	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(17) ADMINISTRATIVE OFFICE REVIEW Vincent Morici			
(18) SUPERVISOR DISTRICT(S) District 3 -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency - Airports / Richard Howell
781-5205

DATE: 12/11/2012

SUBJECT: Request to approve concession agreement with the Achievement House, Inc. a California 501c3 Non-Profit Corporation, to operate a combined snack bar and gift shop concession in the terminal building at the San Luis Obispo County Regional Airport. District 3

RECOMMENDATION

It is recommended that the Board:

1. Approve the attached concession agreement with Achievement House Inc. for concession services at the San Luis Obispo Airport;
2. Authorize the General Services Agency Director to sign the agreement; and
3. Authorize the General Services Agency Director to sign a possible subsequent two (2) year extension in accordance with the terms in the agreement.

DISCUSSION

In 2006 the Airport snack bar was remodeled into a snack bar and gift shop concession. Since that time passenger enplanements have fallen approximately 24%. Over the corresponding six year period there have been two (2) concessionaires, with the second, Alexis Enterprises, Inc., being approved by your Board on January 5, 2010. Alexis Enterprises, Inc. has elected not to exercise an option to extend its agreement and is scheduled to vacate on or before January 5, 2013.

The Airport issued a Request for Proposals (RFP) on September 4, 2012 which ended without any submitted proposals. A subsequent Airport follow up with parties that had expressed interest during the RFP has resulted, to date, in the submittal of one complete proposal and another draft business plan narrative.

The complete proposal was submitted by Achievement House, Inc. (AHI). AHI is a 501c 3 non-profit agency serving the vocation and community living needs of persons with developmental disabilities. Programs provided by AHI are designed to assist individuals in developing workplace skills and behaviors to enhance individual productivity, independence, and community integration. AHI currently operates three food and beverage concessions within the County and one in Santa Barbara County. These locations include the Coffee Café at Camp Roberts, Orange Dog Café at the Colony Park Community Center in Atascadero, 11th Hole Grill at the Laguna Lake Golf Course and the Grub Hub at the Santa Maria Transportation Hub.

The attached concession agreement between the County and AHI provides a one-year term with a possible two (2) year extension provided the commercial passenger terminal remains in the existing building and the concessionaire requests the extension, meets the requirements outlined in the agreement, and is not in default.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel reviewed documents for form and legal effect.

FINANCIAL CONSIDERATIONS

The rent structure for Alexis Enterprises, the former concessionaire, had been established to include a minimum annual guarantee as well as a graduated scale for percent of gross receipts. Alexis paid a minimum of \$500 per month or a percentage of receipts, whichever was greater. The average annual revenue was a little over \$8000. The gross receipts scale is detailed below:

1. 6% of gross receipts up to \$17,999; or
2. 7% of gross receipts from \$18,000 to \$20,999; or
3. 8% of gross receipts from \$21,000 to \$22,499; or
4. 9% of gross receipts from \$22,500 to \$23,999; or
5. 10% of gross receipts of \$24,000 or more.

In this agreement, Concessionaire (AHI) shall pay County as rent for the Premises according to the following schedule:

Year 1 (Initial Term): Concessionaire shall pay 1% of gross monthly receipts for months with gross receipts equal to or exceeding \$15,000. Concessionaire shall pay no rent for any month during year 1, where gross monthly receipts are less than \$15,000.

Year 2 (applicable if option to extend is exercised): Concessionaire shall pay \$500 per month, however, for any month with gross receipts equal to or exceeding \$25,000, Concessionaire shall pay 3% of said gross monthly receipts instead of \$500 per month.

Year 3 (applicable if option to extend is exercised): Concessionaire shall pay \$550 per month or 6% of gross monthly receipts, whichever is greater.

There are several reasons for this reduced rate structure with AHI. Upon the close of the RFP process, no proposals had been received and the concession would close. The snack bar and gift shop is a popular and needed service for customers using the airport. Airport Management made contact with entities who had expressed interest during the RFP process in operating the concession and successfully came to an agreement with AHI to save this service. AHI, a non-profit organization provides workplace training to its clients to develop skills to gain independence and integrate into the community. The operational structure is such that there will generally be two persons on duty, an AHI staff member along with their clients. In the past this concession was staffed by a single employee. Therefore the level of service to airport patrons will increase. Finally, AHI must acquire equipment and licenses necessary for operating the snack bar and gift shop concession and the rent structure is designed to offset the first year expense. It is likely that the above rate structure will result in revenues that are less than the current \$8,000 average annual revenue. The minor loss in revenue from the proposed rate structure for concession services will not impact Airport operations. This agreement will provide for the continued availability of the Airport snack bar for passengers at the airport and the opportunity to partner with Achievement House Inc.

RESULTS

Approval of the agreement will allow the Airport to continue to provide much needed customer service items generally expected to be found in an Airport our size without any interruption of this very popular terminal service.

ATTACHMENTS

Attachment 1 – Concession Agreement
Attachment 2 – Exhibit A to Concession Agreement
Attachment 3 – Exhibit B to Concession Agreement